

Whatcom Transportation Authority

Reserve Funds

Overview

- ▶ Operating Reserves
- ▶ Minimum Reserves
- ▶ Rainy Day Fund
- ▶ Future Years

Why does WTA need an Operating Reserve?

Adequate cash on hand is needed for:

- Working capital (payroll, parts, utilities, etc)
- Capital expenditures prior to grant reimbursements
- Unanticipated expenditures
- Tax revenue stabilization

Transportation is capital intensive and has a high fixed cost

GFOA Guidelines¹

- ▶ GFOA (Government Finance Officers Assn) recommends that, at a minimum, an agency maintain an unrestricted fund balance of no less than two months of regular revenues or operating expenditures.
- ▶ GFOA also recommends other factors be considered when establishing reserves, including these applicable to WTA:
 - ▶ Revenue predictability
 - ▶ Volatility of expenditures
 - ▶ Significant one time outlays
 - ▶ Commitments

¹ Government Finance Officers Association Best Practices: Appropriate Level of Unrestricted Fund Balance in the General Fund (2002 and 2009) (BUDGET and CAAFR)

What do other Transit Agencies Do?

Agency	Practice/Policy
Intercity	90 Days
Kitsap	2 months expenditures + 25% depreciation
Link	2 months operating reserves
Ben Franklin	Was 6 months, then 3, now 0
Mason	3 months operating reserve
Clallam	35% of next year's budget
Twin	1 Year
Skagit	2 months
Grays Harbor	Aim for 2 months
Everett	20%
Spokane	15% of annual budget; dips must be restored in 2 yrs
Community	10% operating reserves (bond covenant)

WTA Monthly Cash Burn

(In Thousands)

	Cash Flow (1 month)		
	Best	Average	Worst
Payroll, Accts Pay	\$ 1,800	\$ 1,950	\$ 2,100
Capital	0	30	4,600
Total Outflow	1,800	1,980	6,700
Sales Tax Revenue	1,700	1,475	1,300
Fare Revenue	265	230	200
Grant Revenue	2,560	0	0
Total Inflow	4,525	1,705	1,500
Net Cash Flow	\$ 2725	\$ -275	\$ -5,200

WTA Operating Reserve

Board of Directors Ordinance No. 49-93
mandated an Operating Reserve of 25% (3
months) of annual operating costs.

2010 Calculation:

$$\underline{\$23,403,711 * 25\% = \$5,850,928}$$



\$6,000,000

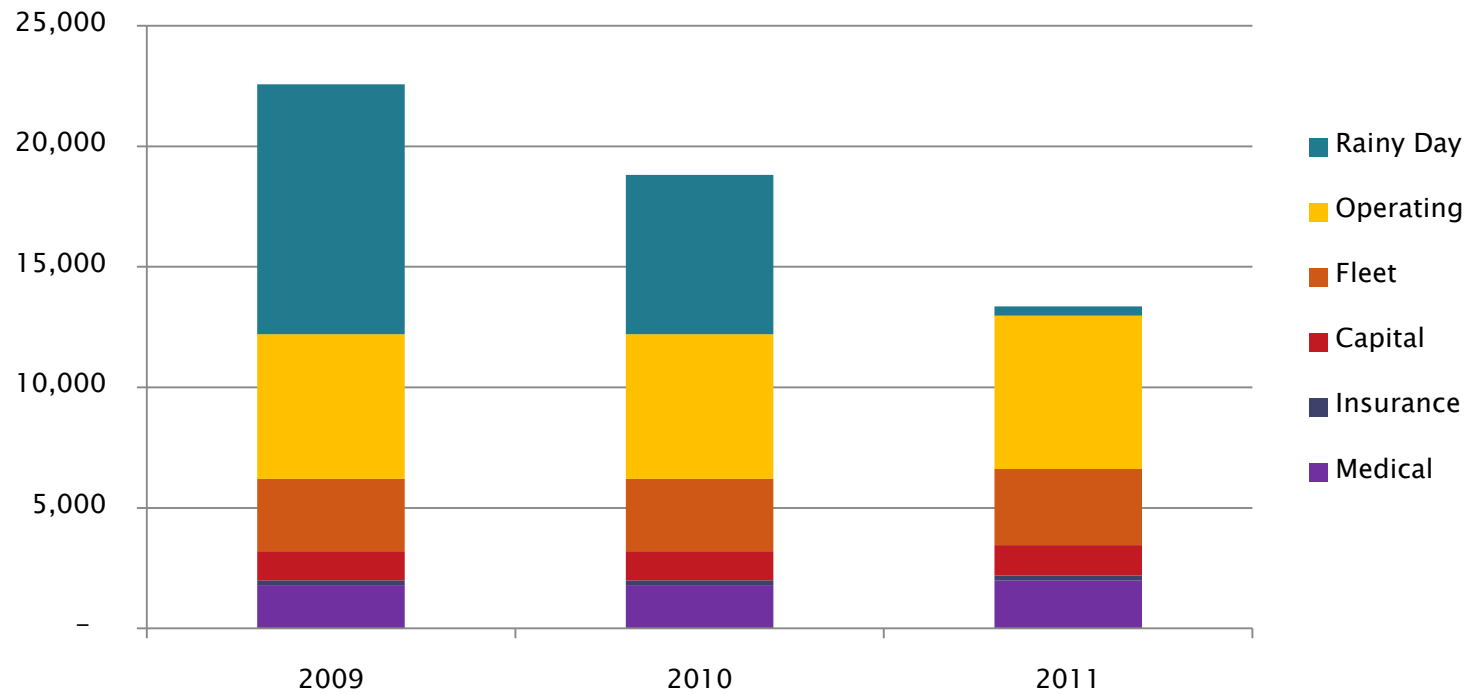
Funds at a Glance

(in thousands)

	Dec 31 2009	Dec 31 2010	Dec 31 2011	Dec 31 2012	Minimum (2010 dollars)	
Undesigntd	\$ 10,082	\$ 6,674	\$ 943	\$ (1,998)		
Operating	6,000	5,851	6,190	3,467	\$6,000	25% of Annual Operating Exp
Capital	1,501	1,269	1,235	1,235	1,200	Est. Annual depreciation
Fleet	3,000	3,059	3,038	2,980	3,000	Est. Annual depreciation
Medical	1,756	1,756	1,756	1,756	1,800	St of WA req. & Actuarial recommndtn
Insurance	237	200	200	200	200	Potential Uninsured Claims
Total	\$22,576	\$18,809	\$13,362	\$7,641	\$12,200	

Rainy Day & Minimum Reserves

At December 31



Summary

- ▶ There is a long term shift in sales tax revenue projections. Sales tax revenues are projected to rise only 3% after 2011 (0% in 2010 and 2% in 2011). In the 200X's, sales tax revenues often experienced 10%+ year over year increases. Because this was in excess of inflation, WTA was able to save for its Rainy Day.
- ▶ Costs are projected to increase by more than 5% from inflation in future years. Even though WTA cut expenses by more than \$2m in 2009 (Actual vs Budget), expenses will rise faster than revenues.
- ▶ At the current .6% sales tax rate, WTA Sales tax revenues will reach 2007 collections in about 2015 – an 8 year recovery period. This does not factor in inflation.
- ▶ With no sales tax increase, an expense reduction of about 22% would be needed by early 2012 to maintain \$12.2m in reserves.
- ▶ A .2% sales tax increase would allow WTA to maintain current service levels and maintain adequate reserves.